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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, FEBRUARY 11, 2000

APPLICATION OF

MANQUIN WATER COMPANY

CASE NO. PUE990253

For a Certificate of Public
Convenience and Necessity

FINAL ORDER

On April 30, 1999, Manquin Water Company ("Manquin or "the Company") filed an application, pursuant to § 56-265.3 of the Code of Virginia, to obtain a certificate of public convenience and necessity ("certificate"). In its application, the Company requested authority to continue to provide water service to its approximately 77 customers in the Venter Heights subdivision in King William County and to 24 apartment units adjacent to the subdivision.

Manquin's current charges for water usage, billed every other month, consist of a \$30.00 minimum charge for the first 8,000 gallons and \$3.20 per \$1,000 gallons in excess of 8,000 gallons. The Company proposes an increase in its bimonthly water usage rates to \$37.00 for the first 8,000 gallons and \$4.62 per 1,000 for usage in excess of 8,000 gallons.¹

¹ The Company represented to the Staff that it has not implemented the proposed rate increase.

The Company also proposes the following miscellaneous charges: a customer deposit equal to a customer's bill for two months' usage; a \$1,850 service connection fee for 3/4-inch connections, and for connections over 3/4 inch, the greater of the actual cost of the connection or the charge for a 3/4-inch connection; a \$25.00 bad check charge; a 1 1/2% per month late payment fee on all past due balances; a \$60.00 meter test charge if the meter has no average error greater than 2% and has been tested within the prior two years; a turn-on after disconnection charge of \$50.00; and a \$50.00 charge to disconnect service in response to a customer request.

On June 24, 1999, the Commission issued an Order directing Manquin to give notice of its application and to provide the public with an opportunity to comment and request a hearing on the Company's application. In that Order, the Commission also directed its Staff to review the application and to file a report by September 30, 1999, detailing its findings and recommendations.

On July 8, 1999, Manquin filed its proof of notice. No comments or requests for hearing were received on the Company's application.

On September 23, 1999, the Staff filed its report. The Staff recommended that the Commission grant Manquin a certificate, but recommended against allowing the Company's

proposed rate increase. The Staff invited Manquin to respond to the report by filing comments on or before October 19, 1999. The Company did not file any response.

The Staff found Manquin's miscellaneous charges, with the exception of the service connection charge, to be consistent with Commission guidelines or otherwise supported by data provided by the Company. The Company was able, however, to provide cost justification for only \$327.28 of its proposed \$1,850 connection fee. After adjusting for the 1999 IRS standard mileage rate, the Staff determined Manquin's actual cost supported a connection charge of \$321.00. With regard to Manquin's proposed rules and regulations filed with its application, the Staff recommended that Rule No. 10 pertaining to availability fees be deleted from the Company's tariff since Manquin does not charge such a fee.

The Staff also made certain accounting recommendations. After making certain ratemaking adjustments, the Staff determined that the Company's current rates generate operating income of \$8,860 on operating revenues of \$29,452 for the twelve-month test year ending December 31, 1998. Staff further determined that with the Company's proposed rate increase, Manquin would realize operating income of \$19,648 on revenues of \$40,473. Staff stated that the proposed rates are excessive at this time.

The Staff's accounting recommendations include that Manquin establish its accounting system in accordance with the Uniform System of Accounts ("USOA") for Class C water companies. The Staff states the Company should reclassify plant to appropriate accounts in accordance with the USOA, and begin depreciating these account balances using the composite 3% rate for all depreciable plant. The Staff recommends that the Company also begin amortizing contributions in aid of construction ("CIAC") at the 3% composite rate. The Staff further recommends that the Company maintain invoices and records for all expense and capital disbursements, time records to substantiate management fees, and a travel log. Finally, the Staff recommends that the Company discontinue filing a state income tax return since the Company pays state gross receipts in lieu of state income taxes.

NOW THE COMMISSION, having considered Manquin's application, the Staff's report, and the applicable statutes and rules, is of the opinion and finds that the Company should be granted a certificate authorizing it to provide water service in King William County to the Venter Heights subdivision and adjacent apartment units. The Commission also finds that the Company's current rates for water service are just and reasonable and we direct that they be maintained. We cannot approve the Company's proposed service connection fee inasmuch as its cost data does not support the charge. We note that the

Staff's findings are uncontroverted. The Staff's recommendations contained in its report are reasonable and should be adopted. Accordingly,

IT IS ORDERED THAT:

(1) Manquin Water Company shall be granted a certificate of public convenience and necessity, No. W-297, authorizing it to provide water service in King William County, Virginia, to the Venter Heights subdivision and adjacent apartment units.

(2) The Company's current bimonthly charges for water usage shall be maintained at \$30.00 for the first 8,000 gallons of usage and \$3.20 per 1,000 gallons for usage in excess of 8,000 gallons.

(3) The Company's charge for 3/4-inch service connections shall be \$321.00, and for connections over 3/4 inch the charge shall be the greater of the actual cost of the connection or the charge for a 3/4-inch connection.

(4) The Company shall file a revised tariff within 30 days of the date of this Order with the Commission's Division of Energy Regulation to reflect the rates, rules, and regulations approved herein.

(5) The Company shall comply with the accounting recommendations noted herein and set forth in the Staff report, and shall provide evidence to the Director of the Commission's Division of Public Utility Accounting that these recommendations

have been complied with within 90 days of the date of this Order.

(6) There being nothing further to come before the Commission, this matter shall be removed from the docket and the papers placed in the file for ended causes.